

Message Text

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45

ACTION EUR-25

INFO OCT-01 ISO-00 SCI-06 INT-08 SCEM-02 XMB-07 COME-00

OMB-01 TRSE-00 DRC-01 ACDA-19 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 USIA-15 IO-14 FPC-01 EURE-00 /162 W

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P 191605Z NOV 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 5672

UNCLAS LONDON 13501

E.O. 11652: N/A

TAGS: ETRD, UK

SUBJECT: BRITISH GOVERNMENT OFFSHORE SUPPLIES INTEREST
RELIEF GRANTS.

1. IN REPLY TO EMBASSY QUERY, HMG DEPARTMENT OF TRADE AND INDUSTRY (DTI) HAS PROVIDED US WITH DETAILS OF THE NEWLY INTRODUCED OFFSHORE SUPPLIES INTEREST RELIEF GRANTS. THE GRANTS SCHEME WAS INTRODUCED IN ORDER TO REDUCE THE COST OF SUPPLIER OR BUYER CREDITS OBTAINED FROM BRITISH BANKS TO FINANCE THE SUPPLY OF U.K. GOODS AND SERVICES TO COMPANIES DEVELOPING OIL AND GAS RESOURCES ON THE U.K. CONTINENTAL SHELF AND WAS ENACTED PURSUANT TO THE POWERS PROVIDED BY THE INDUSTRY ACT 1972 (SECTION 8).
 2. INTEREST RELIEF GRANTS WERE RECOMMENDED TO HMG IN THE IMEG REPORT ISSUED IN JANUARY THIS YEAR AS A MEANS OF EQUALIZING A DISPARITY OF FINANCING WHICH PUT BRITISH SUPPLIERS AT A DISADVANTAGE COMPARED TO FOREIGN SUPPLIERS WHO BENEFITED FROM FOREIGN CREDIT GUARANTEES FROM INSTITUTIONS LIKE EXIM BANK. THE PROBLEM AROSE BECAUSE CONTRACTS BETWEEN U.K. SUPPLIERS AND OFFSHORE OPERATORS DID NOT BENEFIT FROM THE EXPORT CREDIT FACILITIES PROVIDED BY THE EXPORT CREDIT
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GUARANTEE DEPARTMENT (ECGD), THE BRITISH EQUIVALENT

TO EXIM/FCIA. THESE FACILITIES ARE AVAILABLE ONLY FOR TRADE WITH OVERSEAS COUNTRIES; U.K. INCORPORATED OFFSHORE OPERATORS DEVELOPING DISCOVERIES ON THE U.K. SHELF OUTSIDE BRITISH TERRITORIAL WATERS DO NOT QUALIFY FOR ECGD CREDITS.

3. IN ORDER TO QUALIFY FOR A GRANT UNDER THIS SCHEME, CONTRACTS MUST BE FOR "THE PROVISION OF A FIXED OFFSHORE INSTALLATION OR AS ASSOCIATED EQUIPMENT, FOR USE IN THE U.K. SECTOR OF THE CONTINENTAL SHELF OUTSIDE TERRITORIAL WATERS, OR FOR GOODS AND SERVICES ASSOCIATED WITH PROVIDING AND INSTALLING THEM". THE CONTRACT MUST NOT BE FOR LESS THAN 100 THOUSAND POUNDS IN VALUE NOR CAN EXPENDITURE HAVE BEEN INCURRED PRIOR TO OCTOBER 1, 1973.

4. GRANTS MAY BE PAID ON SUMS BORROWED TO MEET EXPENDITURE INCURRED UNDER A QUALIFYING CONTRACT UP TO A LIMIT OF 80 PER CENT OF THE CONTRACT PRICE. IF THE NON-U.K. CONTENTS EXCEED 20 PER CENT OF THE CONTRACT PRICE, THE PERCENTAGE OF THE CONTRACT PRICE ON WHICH GRANT IS PAYABLE MAY BE REDUCED. THE PERCENTAGE RATE OF GRANT IS INITIALLY 3 PER CENT PER ANNUM ON THE AVERAGE AMOUNT OF QUALIFYING BORROWING, NET OF REPAYMENT, OUTSTANDING OVER EACH OF THE PERIODS FOR WHICH GRANT IS APPLIED FOR. PERCENTAGE RATE OF GRANT IS FIXED AND UNDER ANY ONE PROJECT WILL NORMALLY BE PAID FOR A MAXIMUM OF 8 YEARS, BUT MAY NOT EXCEED 5 MILLION POUNDS IN RESPECT TO ANY ONE PROJECT.

5. HMG HAS FOR SOMETIME BEEN CONSIDERING VARIOUS WAYS IN WHICH ANY DISTORTION IN COMPETITIVE CREDIT TERMS COULD BE REMOVED OR REDUCED IN ORDER TO PROVIDE CONDITIONS OF "FAIR COMPETITION" FOR U.K. SUPPLIERS AND CONSIDERS THE SYSTEM OF INTEREST RELIEF GRANTS NOW INTRODUCED AS A STEP TOWARD ALLEVIATION OF THE PROBLEM. IT IS NOTED THAT U.K. SUBSIDIARIES OF U.S. FIRMS ARE ELIGIBLE TO RECEIVE INTEREST RELIEF GRANTS ON THEIR U.K. BORROWINGS UNDER THE SAME CONDITIONS AS ANY OTHER BRITISH FIRM. FULL DETAILS OF THE INTEREST RELIEF GRANTS PROGRAM ARE BEING AIR-POUCHED SEPARATELY.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: OFFSHORE PROCUREMENT, OFFSHORE OIL FIELDS, ASSISTANCE CONTRACTS (AID), CREDIT GUARANTEES, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LONDON13501
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731126/aaaaasqi.tel
Line Count: 109
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 09 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09-Aug-2001 by maustmc>; APPROVED <21-Aug-2001 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BRITISH GOVERNMENT OFFSHORE SUPPLIES INTEREST RELIEF GRANTS.
TAGS: ETRD, UK, XMB
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005